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SUBJECT: DUBNA: HIGH HOPES FOR SPECIAL ECONOMIC ZONE

11. (SBU) SUMMARY: EST and ECON officers March 1 visited the Special Economic Zone (SEZ) in Dubna, home of the Joint Institute for Nuclear Research (JINR). According to SEZ and JINR representatives, government sources will spend \$300 million over five years creating the infrastructure for the SEZ, and administrators hope Russian and foreign investors will contribute \$2.8 billion. This is an ambitious effort to develop and commercialize innovation technology, and Dubna is hoping to capitalize on its history as a science city to attract investors. END SUMMARY

12. (U) On March 1 ESToff and ECONoffs visited the Special Economic Zone located in Dubna, site of the JINR. We met with Alexander Rats, head of the Agency for Management of Special Economic Zones for the Moscow Region; Aleksey Sissakian, Director of JINR; and Sergey Dobromyslov, head of the Dubna University Department of Innovation and Information Technology. In 2005 the GOR created Special Economic Zones (SEZ) entitled to customs and VAT exemptions for imported materials and to tax advantages, including five-year exemptions from or reductions in local property and profits taxes. Six SEZ with differing specialties, out of 30 regions applying for designation, were selected in a competitive process. The Dubna SEZ is dedicated to nuclear-physics technologies and information technologies.

13. (U) JINR was established in 1956 as an international scientific center for basic research in particle and nuclear physics. It currently employs about 1,000 scientists and 2,000 engineers and technicians. (NOTE: Located at the confluence of the Volga River and the Moscow Canal, Dubna is an energy and transportation hub, as well as a science center. An aircraft design and manufacturing plant was created in Dubna in 1937. The 105th element in the Table of Elements is dubnium, named after the institute where it was first discovered in 1967. END NOTE) Our meeting took place at the International University of Nature, Society and Man, which was founded under the leadership of JINR in 1994. The university building and plant are an impressive array of modern facilities, unlike many Russian higher education structures which show their decades of use and decay under Soviet rule.

14. (U) Rats told us that the impetus for founding the university was to take advantage of the critical mass of scientists and researchers at JINR. Of a population of 67,000 in Dubna, about 13,000 have university degrees, including over 1,000 doctors of science. The university has 6,000 students pursuing degrees in 38 separate fields (called "faculties" in Russia), with almost 2,000 studying information and computer technologies. Rats noted that Dubna residents are computer-literate, and they have access to more than 5,000 computers for work and studies. One of the key goals of the Putin administration is to increase the availability of computer access to schools and regional populations. The SEZ representatives

told us that seventy per cent of the student body comes from other regions of Russia. After completion of their studies, fifty-four per cent of graduates find work in Dubna.

15. (U) According to Rats, the Agency for Management of Special Economic Zones has budgeted \$300 million for construction of infrastructure in the Dubna SEZ over the next five years. Of the total, 70 percent will come from the federal government and 30 percent from regional and local authorities. The agency is counting on private investors to contribute seventy-five billion rubles (approximately \$2.8 billion).

16. (U) One of the first residents of the SEZ is Luxoft-Dubna, an offshore programming and IT outsourcing company. [COMMENT: ESToff visited the Luxoft facilities in Moscow in September with EEB Special Representative Frank Mermoud and observed their extensive facilities and bold management. Their chief operating officer outlined his ambitious and so-far successful efforts to position the company as an alternative outsource for more sophisticated IT work than is currently performed in such locations as Bangalore. END COMMENT) Another resident is Dubna Sistema Managing Company, a subsidiary of AFK-Sistema, which specializes in plasma technology and implements nanotechnology in new materials production. Rats said there are now six Russian companies approved for resident status and another six have filed registration papers for the Dubna SEZ. Incipient construction, mostly of roads, is currently underway on the site; as we observed, construction season includes winter in Russia.

17. (U) The directors of the Dubna SEZ have impressive credentials. Aleksey Norairovich Sissakian is the Director of the JINR and the Bogoliubov Laboratory of Theoretical Physics, and a Professor at Moscow State University. A Corresponding Member of the Russian Academy of Sciences and a Member of the European Academy of Sciences

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in Brussels, Sissakian is the author of 350 scientific papers and is credited with three inventions. He is a modern Renaissance man, having also published five volumes of poetry. Sergey Nikolaevich Dobromyslov holds the chair of Sustainable Development of Innovations at the Dubna University. In the 1990s, he worked in the United States for Lockheed Martin in its heavy satellites program. He has also worked on the Entelsat communications satellite project with the European Space Agency.

18. (SBU) COMMENT: The Dubna SEZ has attracted a great wealth of scientific knowledge and practical management experience to the project. In addition, there is a substantial commitment of funds by federal and local authorities to local infrastructure development. Arrayed against this is the failure of the earlier program of Free Economic Zones, which collapsed in corruption, inadequate development and outright tax fraud. The new managers express determination to learn from previous mistakes and to commit the necessary financial and human resources. They are hopeful that the special advantages of the JINR and the scientific environment will help make the Dubna SEZ attractive to investors and a model for the future development of innovation technology.

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